LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6296 | **NOTE PREPARED:** Dec 19, 2011
BILL NUMBER: SB 143 | **BILL AMENDED:**

SUBJECT: Automatic Taxpayer Refund.

FIRST AUTHOR: Sen. Kenley | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: The bill provides that for purposes of the automatic taxpayer refund statutes, amounts in the State Tuition Reserve Fund are not considered in determining whether state reserves exceed 10% of general revenue. It specifies an additional requirement (a balance in the tuition reserve equal to at least 10% of the tuition support appropriation for the following year) that must be satisfied before a transfer may be made under the automatic taxpayer refund statutes.

The bill specifies that: (1) if the amount of the excess reserves is less than $100,000,000, all of the excess reserves shall be transferred to the Pension Stabilization Fund; and (2) if the amount of the excess reserves is $100,000,000 or more, 50% of the excess reserves shall be transferred to the Pension Stabilization Fund and 50% of the excess reserves shall be used for the purposes of providing an automatic taxpayer refund. (Under current law, the excess reserves are divided equally between the Pension Stabilization Fund and the automatic taxpayer refund, regardless of the dollar amount of the excess reserves.)

Effective Date: Upon passage.

Explanation of State Expenditures: *Summary* - The bill would change the requirements for transfers to be made from state reserves to the Pension Stabilization Fund and the automatic taxpayer refund. It is estimated that under current statute, transfers of excess reserves to the Pension Stabilization Fund and the automatic taxpayer refund in FY 2013 could total $166.8 M each, according to the Combined Statement of Estimated Unappropriated Reserve (December 14, 2011). The state's FY 2013 combined balances after the two transfers is estimated to total $1,765.3 M. Under the new requirements of the bill, the excess reserve transfers would not occur in FY 2013, so the FY 2013 combined balances could total $2,098.9 M.

Under current statute, if the total amount of state reserves at the end of the preceding fiscal year exceeds 10% of the general revenue appropriations for the current fiscal year, the amount exceeding 10% of the general revenue appropriations must be transferred as follows: (1) 50% to the Pension Stabilization Fund and (2) 50% to the automatic taxpayer refund. (See *Background Information* for description of taxpayer refund.)

The bill would make two changes to the initial requirement for transferring excess reserves. First, the bill would exclude reserves in the State Tuition Reserve Fund from the computation of state reserves for the 10% reserve requirement described above. Second, in addition to meeting the 10% reserve requirement specified above, the bill would require that the balance in the State Tuition Reserve Fund at the end of a fiscal year equal at least 10% of the calendar year state tuition support appropriation for the following calendar year before any excess reserve transfers could be made. Under the bill, for transfers to be made in FY 2013, the FY 2012 combined balances (excluding the balance in the State Tuition Reserve Fund) must exceed 10% of the general revenue appropriations for FY 2013 <u>and</u> the FY 2012 State Tuition Reserve Fund balance must equal at least 10% of the state tuition support appropriation for CY 2013. Since the FY 2012 State Tuition Reserve Fund balance is estimated at $0 for FY 2012, excess reserve transfers would be precluded in FY 2013 under the bill. Also, since the CY 2013 state tuition support appropriation is $6,339.6 M, the State Tuition Reserve Fund must have a FY 2012 balance of at least $633.4 M for excess reserve transfers to be made in FY 2013.

The bill would also change the transfer amounts in the event that excess reserve transfers are allowed. The bill requires 100% of the reserve transfer to be distributed to the Pension Stabilization Fund if the excess reserve to be transferred is less than $100 M. If the excess reserve to be transferred is $100 M or more, the transfers would be made pursuant to current statute.

<u>*Background Information*</u> - The automatic taxpayer refund is provided through nonrefundable tax credits to eligible individual income taxpayers. To be eligible for the tax credit, a taxpayer must have filed a resident income tax return for the two taxable years preceding the tax year in which the tax credit is made available and must have paid individual income tax for the preceding taxable year. The tax credit must be taken against the taxpayer's income tax liability in the tax year the credit is provided. Each eligible taxpayer receives a tax credit equal to the taxpayer's pro rata share of individual income taxes paid by all eligible taxpayers during the preceding tax year.

<u>Explanation of State Revenues:</u>

<u>Explanation of Local Expenditures:</u>

<u>Explanation of Local Revenues:</u>

<u>State Agencies Affected:</u> OMB.

<u>Local Agencies Affected:</u>

<u>Information Sources:</u> *General Fund Combined Statement of Estimated Unappropriated Reserve*, FY 2012-FY 2013, State Budget Agency, December 14, 2011.

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